

PUBLIC DISCLOSURE

September 20, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ADAMS CO-OPERATIVE BANK

26568

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ADAMS, MASSACHUSETTS 01220**

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**Federal Deposit Insurance Corporation
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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of the entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of the assessment area.

This document is an evaluation of the CRA performance of **Adams Co-operative Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

Adams Co-operative Bank is rated "Outstanding" for its CRA performance based upon a review of the following performance criteria: (1) average net loan-to-deposit ratio, (2) lending within the assessment area, (3) lending to borrowers of different incomes, (4) geographic distribution of loans, and (5) response to consumer complaints.

- The Bank has shown excellent responsiveness to the credit needs of its assessment area. The Bank's loan-to-deposit (LTD) ratio averaged 110.0 percent since the previous FDIC evaluation. This ratio is more than reasonable and reflects a significant record of lending given the Bank's asset size and resources.
- An analysis of home mortgage lending revealed that a substantial majority of the originations (82.3 percent) were made inside the assessment area.
- The Bank's distribution of lending to individuals of different income levels reflects an excellent penetration to both the low- and moderate-income categories.
- The Bank's geographic distribution of residential loans reflects an excellent dispersion throughout the assessment area.
- No CRA-related complaints were received since the previous evaluation so the response to CRA-complaints performance criterion is not applicable.

PERFORMANCE CONTEXT

Description of Institution

Adams Co-operative Bank was chartered in 1895 as an independent mutual cooperative institution. The Bank is headquartered in Adams, Massachusetts, and operates two full services branches in addition to the main branch. Branches are located in Lanesboro (1) and North Adams (1). The two offices in Adams and North Adams are located in moderate-income tracts and the Lanesboro branch is located in a middle-income tract. Adams Co-operative Bank has not opened or closed any branches since the last FDIC CRA evaluation. All locations offer 24-hour automated teller machines (ATMs). The Bank is a member of the SUM network. The SUM network allows customers of participating banks to use any member bank's ATM without a surcharge. The Bank offers extended hours on Thursday evenings at all locations with the lobbies opening at 8:30 a.m. daily. Drive-up service starts at 8:00 a.m. Monday through Friday at all locations and remains open until 5:00 p.m. except on Thursday. Drive-up services also remain open until 6:00 p.m. on Thursday. Saturday hours are maintained at all locations. Other services available include telephone and internet banking which is available 24 hours 7 days a week.

As of June 30, 2010, the Bank had total assets of \$198.2 million with total loans representing \$155.2 million or 78.3 percent of total assets. The Bank is primarily a residential lender with 78.5 percent of its loan portfolio secured by 1-4 family residential units. The remainder of the portfolio is comprised of commercial real estate loans (6.8 percent), commercial and industrial loans (5.2 percent), consumer loans (7.3 percent), and residential 1-4 family construction loans (1.3 percent). The remaining loan categories make up less than one percent.

Table 1		
Loan Distribution as of June 30, 2010		
Loan Type	Dollar Amount \$(000's)	Percent of Total Loans
Construction 1-4 Family Residential	2,128	1.3
All Other Construction and Land Development	349	0.2
Revolving, open-end 1-4 Family Residential	9,708	6.3
1-4 Family Residential (first and second lien)	111,972	72.2
Multi-Family (5 or more) Residential	552	0.4
Commercial Real Estate	10,656	6.8
Total Real Estate Loans	135,365	87.2
Commercial and Industrial	8,040	5.2
Consumer	11,409	7.3
Other Loans	384	0.3
Total Loans	155,198	100.0

Source: Reports of Income and Condition

Adams Co-operative Bank offers both fixed- and variable-rate mortgages with loan maturities up to 30 years. The Bank also offers a first time homebuyer mortgage program which features a discounted rate, no appraisal or application fee, no income restrictions, and financing up to 95 percent. From January 2008 through year-to-date 2010, 30 first time homebuyer loans totaling \$1,302,885 were originated.

Included within the residential loan portfolio are a sizeable number of mobile home loans, a key type of affordable housing. This funding is essential to support the demands associated with ownership in the seven mobile home parks within the Bank's assessment area. To complement its residential and commercial lending programs and products, Adams Co-operative Bank also offers consumer loan products such as automobile (new and used), personal, and home improvement loans.

The Bank is also involved in a loan program entitled "Get the Lead Out." Through this program, the Bank writes an interest-free loan which is sold to the Massachusetts Housing Finance Agency and is payable upon transfer of the property. The funds are used to remove lead from homes located within the Bank's lending area. Given that the assessment area's housing stock is comprised of homes that were built in the late 1800s and early 1900s, there is a greater likelihood that a home contains lead paint to some extent if it has not already been abated. From January 2008 through year-to-date 2010, 17 loans totaling \$478,858 have been originated under this program. As evidenced by the loan volume, this program is also meeting assessment area credit needs.

The Bank was last examined for compliance for the CRA by the FDIC on September 1, 2004. The examination resulted in an overall rating of "Outstanding."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to help meet local credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Adams Co-operative Bank has defined its assessment area to include 13 towns located within Berkshire County in Northeastern Massachusetts. The towns in the Bank's assessment area include Adams, Cheshire, Clarksburg, Florida, Savoy, Lanesboro, North Adams, Peru, Windsor, Williamstown, Hancock, New Ashford, and Richmond. All of the Bank's assessment area is included within the Pittsfield, MA Metropolitan Statistical Area (MSA). Refer to Table 2 for pertinent demographic information concerning the assessment area.

Table 2 Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	16		31.25	56.25	12.50
Population by Geography	45,640		31.14	52.94	15.92
Owner-Occupied Housing by Geography	12,494		26.14	60.94	12.92
Business by Geography	3,484		33.44	51.66	14.90
Farms by Geography	103		17.48	63.11	19.42
Family Distribution by Income Level	11,842	20.8	20.71	22.73	35.75
Distribution of Low and Moderate Income Families throughout AA Geographies	4,916		39.87	53.34	6.79
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		50,150 65,700 12%	Median Housing Value Unemployment Rate (2000 US Census)	112,785 3.03	

As the data in Table 2 shows, the area is comprised of 16 census tracts, of which 0 are low-income; 5 are moderate-income; 9 are middle-income; and 2 are upper-income. The assessment area's population and owner-occupied housing is primarily located in the middle-income census tracts. As shown in Table 2, the median housing value in 2000 for the assessment area was \$112,785. Like much of New England, the area's housing prices increased steadily until 2006. Since then housing values have been declining. While some of the towns in the Bank's assessment area have witnessed an increase in housing prices this year, the rest have seen more declines. Recent statistics published by the Warren Group show, for instance, that the averaged median home sales prices in the 13 towns was \$144,363 for the first eight months of 2010. Median home sales prices for 2010 ranged from a low of \$51,400 in Peru to a high of \$391,250 in Richmond.

Adams Co-operative Bank operates in a fairly competitive market area in terms of financial services. The Bank competes for loan volume with several commercial banks, savings banks, credit unions, and mortgage lenders that operate in the area. Among the more prominent mortgage lenders competing with the Bank are Greylock Federal Credit Union, Hoosac Bank, Williamstown Savings Bank, RBS Citizens, N.A., Wells

Fargo Bank, N.A., TD Bank, N.A., and South Adams Savings Bank. In 2008, 81 lenders reported a total of 1,178 residential mortgage loans within the Bank's assessment area. Adams Co-operative Bank ranked 2nd loan originations behind Greylock Federal Credit Union.

The assessment area has no one primary credit need. However, given that the area is largely comprised of residential communities, residential home loan products are in most demand. The area's residents need a variety of consumer loan products to meet personal needs and an array of home financing programs for the purchase, construction, or refinance of a residence.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and FDIC. The evaluation utilized Small Bank procedures, as defined by the CRA. A “small bank” means an institution that, as of December 31 of either of the prior two calendar years, had assets of less than \$274 million, adjusted annually. These procedures include five performance criteria (1) loan-to-deposit ratio, (2) assessment area concentration, (3) borrower distribution, (4) geographic distribution, and (5) response to written complaints. The data and applicable timeframes utilized for the five criteria are discussed below.

A review of the Bank’s loan portfolio composition indicated its primary lending focus is home mortgage lending. Residential lending represents almost 79 percent of the Bank’s loan portfolio. Commercial lending activities only represent 12 percent of the Bank’s lending and will not be included in the analysis. Consumer loans were not also considered in the evaluation as these represent a very small portion of the Bank’s loan portfolio. Furthermore, the Bank did not originate any small farm loans.

The review of the performance criteria includes analyses of the Bank’s home mortgage lending data. The analyses of the Bank’s home mortgage data is based upon the full years 2008, and 2009, as well as the first eight months of 2010. The analysis indicated that there were no anomalies in the Bank’s performance for each year. Therefore, the information included in the tables (except lending within the assessment area) will focus on 2008. That year is used as it is the latest year for which aggregate data is available.

Information concerning home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank’s assessment area.

PERFORMANCE CRITERIA

An onsite evaluation was conducted using small bank procedures, as defined by the CRA. A review of the Division's and FDIC's records, as well as the Bank's Public CRA File did not reveal any complaints relating to the Bank's CRA performance since the prior evaluation. As a result, this response to CRA-related complaints criteria was not applicable and was not considered in assigning the overall rating.

1. LOAN TO DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's LTD ratio is more than reasonable given the institution's size, resources, business strategy, and assessment area credit needs.

The average LTD ratio of 109.96 percent was calculated using FDIC Call Report data for the 25 quarters since the previous CRA examination. The resulting average LTD ratio was compared against the average LTD ratios of four similarly situated institutions. As shown in Table 3, the four other institutions' average quarterly LTD ratios ranged from 57.24 percent and 93.39 percent. At 109.96 percent, the Bank's average LTD is higher than that reflected by all four similarly situated institutions.

Table 3 Loan-to-Deposit Ratios		
Institution	LTD Ratios	Assets in \$(000s)
Adams Co-operative Bank	109.96	198,179
The Lenox National Bank	57.24	53,967
Williamstown Savings Bank	82.79	229,031
The Pittsfield Co-operative Bank	79.41	235,056
South Adams Savings Bank	93.39	207,382

Source: June 30, 2010 Report of Condition and Income

During the evaluation period, the institution's LTD ratio has fluctuated slightly with it being the lowest on March 31, 2010 (99.79 percent) and highest on September 30, 2008 (116.00%). As of June 30, 2010, the Bank's LTD ratio was 100.14 percent.

Additionally, not reflected in the Bank's LTD ratio is the volume of loans it has sold on the secondary market. While the Bank is primarily a portfolio lender, it does participate in the "Get the Lead Out" loan program with the Commonwealth of Massachusetts. Since January 1, 2008, the Bank sold 17 mortgages totaling \$478,858. This, in addition to the Bank's LTD ratio, demonstrates its willingness to reinvestment in the community through its lending services.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area and evaluates its appropriateness. During this evaluation period, Adams Co-operative Bank originated 480 residential HMDA reportable loans totaling \$56.7 million within the Bank's assessment area. Based on a review of the home loan data, a substantial majority, 82.33 percent by number and 81.74 percent by dollar volume, of the Bank's lending activity occurred in the assessment area. Refer to Table 4 for specific information concerning the distribution of loans inside and outside the assessment area.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
2008										
Home Purchase	33	76.74	10	23.26	43	3,803	71.71	1,500	28.29	5,303
Refinance	128	82.58	27	17.42	155	17,073	82.32	3,666	17.68	20,739
Home Improvement	59	73.75	21	26.25	80	5,323	82.48	1,131	17.52	6,454
Total	220	79.14	58	20.86	278	26,199	80.62	6,297	19.38	32,496
2009										
Home Purchase	33	82.50	7	17.50	40	4,462	81.78	994	18.22	5,456
Refinance	108	83.08	22	16.92	130	14,409	82.74	3,006	17.26	17,415
Home Improvement	38	84.44	7	15.56	45	2,877	82.96	591	17.04	3,468
Total	179	83.26	36	16.74	215	21,748	82.57	4,591	17.43	26,339
YTD 2010										
Home Purchase	22	88.00	3	12.00	25	2,678	90.78	272	9.22	2,950
Refinance	34	87.18	5	12.82	39	3,978	74.38	1,370	25.62	5,348
Home Improvement	25	96.15	1	3.85	26	2,072	94.10	130	5.90	2,202
Total	81	90.00	9	10.00	90	8,728	83.12	1,772	16.88	10,500
Grand Total	480	82.33	103	17.67	583	56,675	81.74	12,660	18.26	69,335

SOURCE: HMDA LAR for 2008, 2009 and 2010 (Jan. 1-Aug. 30)

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The distribution of loans by borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents. Based upon the review of the HMDA LAR, the Bank has achieved an excellent penetration of loans among borrowers of different income levels. Refer to Table 5 for information concerning the distribution of HMDA loans by borrower income.

Table 5 Distribution of HMDA Loans by Borrower Income				
Borrower Income Level	% of Total Families	Aggregate Lending Data (% of #) 2008	Bank 2008	
			#	%
Low	20.8	7.5	18	18.2
Moderate	20.7	20.3	50	22.7
Middle	22.7	24.3	74	33.6
Upper	35.8	37.4	74	33.6
\$0/NA Income	0.0	10.5	4	1.8
Total	100.0	100.0	220	100.0

Source: 2000 U.S. Census, HMDA LAR (2008), and HMDA Aggregate Data (2008)

As depicted in Table 5, the Bank's lending to low-income borrowers significantly exceeds the percentage of loans to low-income borrowers by all other lenders. The Bank's lending to low-income borrowers also reasonably reflects the percentage of low-income families residing in the assessment area. The institution's lending to moderate-income borrowers also significantly exceeded the percentage of aggregate loans to moderate-income families as well as the percentage of moderate-income families. The distribution of loans to low- and moderate-income families is reasonably consistent for 2009 and year-to-date 2010.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. The Bank has achieved an excellent dispersion of home loans throughout its assessment area based on the area's demographics. Refer to Table 6 for specific information concerning the distribution of HMDA loans among the census tract income categories.

Table 6 Geographic Distribution of HMDA Loans				
Tract Income Level	% of Owner Occupied Housing Units	Aggregate Lending Data (% of #) 2008	Bank 2008	
			#	%
Moderate	26.2	26.0	75	34.1
Middle	60.9	61.7	140	63.6
Upper	12.9	12.3	5	2.3
Total	100.0	100.0	220	100.0

Source: 2000 U.S. Census, HMDA LAR (2008), and HMDA Aggregate Data (2008)

As shown in Table 6, the Bank's total home lending is predominately in the middle-income census tracts. This strong performance in the middle-income census tracts is not surprising considering that these census tracts contain 60.94 percent of the assessment area's owner-occupied housing units.

There are no low-income census tracts in the Bank's assessment area. The Bank's lending within the moderate-income census tracts significantly exceeds the percentage of loans by all other lenders in those tracts. The Bank's lending within the assessment area's moderate-income census tracts also significantly exceeds the percentage of owner occupied units within those tracts.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

A review was conducted for compliance with fair lending regulations, and no evidence of disparate treatment or impact was revealed.

APPENDIX A DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 93 Park Street, Adams, MA 01220."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.